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C O N F I D E N T I A L MONROVIA 000117

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DEPARTMENT FOR AF/W PDAVIS, AF/EPS CTRIMBLE, EB/ESC
SSAARNIO, INR/AA BGRAVES

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TAGS: [ECON](#) [EINV](#) [EMIN](#) [PGOV](#) [LI](#)
SUBJECT: LIBERIA STUMBLES IN AUCTION OF TWO NEW IRON ORE
CONCESSIONS

REF: A. 07 MONROVIA 1089
[1](#)B. 07 MONROVIA 780

Classified By: Ambassador Donald Booth for reason 1.4 (d)

[1](#)1. (SBU) SUMMARY: The Government of Liberia (GOL) has struggled - if not stumbled - in efforts to award the first two iron ore concessions tendered since the Contracts and Concessions Review of 2006 and the arrival of the Sirleaf administration. The President announced during her January 28 Annual Message to the Legislature that Delta Mining of South Africa had won the tender for the "Western Cluster" iron ore concession, despite the fact that the GOL had yet to conduct due diligence on the bid. Delta is a relative unknown in a field of mining heavyweights and both the press and the other bidders have questioned the proposal evaluation process employed by the Ministry of Lands, Mines and Energy (MLME) and the Inter-Ministerial Mineral Technical Committee. A second iron ore concession for the "Bong Range" deposits has suffered numerous delays since Expressions of Interest (EOIs) were submitted last summer. It remains unclear if the delays and irregularities in the concessioning process are simply the result of well-intentioned but inexperienced gaffes or a deeper misunderstanding - if not undermining - of what the GOL has promised would be more transparent and accountable public concessioning procedures. END SUMMARY.

WESTERN CLUSTER BIDDING BUNGLED

[1](#)2. (U) The "Western Cluster" (estimated at 600 metric tons of iron ore) is composed of several deposits covering about 200 square kilometers including the Mano River deposits of the former National Iron Ore Company, the western portion of the Bomi Hills deposits from the former Liberian Mining Company (LMC), and the greenfield Bea Mountain deposits. The concession is the first to be awarded by the Sirleaf administration. The EOI was released in May and closed in July, 2007. Of the fourteen firms that bid, the MLME pre-qualified seven to submit full proposals: Delta Mining Consolidated, Sino Steel Corporation, Xing Xing Group Ltd., Tata Steel, Companhia do Rio Doce South Africa, Mittal Steel Liberia (MSL), and Bahlodi Africa. An Inter-Ministerial Mineral Technical Committee (IMMTC) finalized its evaluation on January 23 and the President announced January 28 that the winning bidder was Delta Mining of South Africa based on a technical evaluation score of 90.1. The MLME published a full summary of the evaluation process including the technical scores of the bidders on February 4. The top three

scorers (Delta plus Sino Steel at 83.9 and Tata Steel at 77.9) now move to the Inter-Ministerial Concession Committee (IMCC) for a due diligence review. The IMCC has requested assistance from the USG to perform due diligence on Delta, and if Delta fails, the concession would pass to Sino Steel (China) or Tata Steel (India).

¶3. (SBU) The Liberian press has criticized the MLME for delays and irregularities in the concession bid evaluation process. A month before the IMMTC finalized and signed its recommendation, the press reported that Delta Mining had already announced it had won the bid on its website. Later, following the official announcement, the press in Liberia and South Africa questioned the selection of Delta, a relatively small and unknown firm in comparison with some of the largest mining and steel companies in the world.

¶4. (C) Mittal's representative in Liberia, Joseph Matthews (please protect), also highlighted several abnormalities during the bidding phase, and hinted that some missteps appeared intentional. Matthews told Econoff February 7 that the letter notifying MSL of the deadline for proposal submission never left the Ministry, and the evaluation criteria used by the IMMTC were not the same as indicated in the request for proposals. Matthews explained that a technical ranking of bids without due diligence on feasibility of investment plans was incompatible with internationally accepted standards. MSL has not yet decided if it will file a formal protest, but Matthews said ArcelorMittal's President, Lakshmi Mittal, phoned President Johnson Sirleaf the day of the announcement to register his concerns.

BONG RANGE BIDS DELAYED

¶5. (U) The "Bong Range" deposit in Bong County includes the entire 350 square kilometer Bong Mining Company (BMC) deposits and residual assets. The EOI was released June 25, 2007 and closed August 8, 2007. The MLME received nine bids and on January 25, 2008, shortlisted five firms to submit detailed proposals by March 10: BSG Resources Ltd., China Union Investment Co. Ltd., Belle Resources, Ltd., Rio Doce S.A., and Vedanta Resources, PCL. Bids languished at the MLME from August to January because of the lack of qualified technical staff available to evaluate proposals at the IMMTC. The MLME has acknowledged its inexperience and requested additional assistance from donors for proposal evaluation. The United Nations Development Program (UNDP) recently contracted with an external advisor to assist the IMMTC for the Bong Range evaluation.

CONCESSION PROCESS: TRANSPARENT BUT CHALLENGING

¶6. (U) According to the Public Procurement and Concessions Act (PPCA) and the Mineral and Mining Law, all final proposals are initially evaluated by the Inter-Ministerial Mineral Technical Committee (IMMTC) composed of the MLME, Central Bank, National Investment Commission, Ministry of Labor, Ministry of Justice, Ministry of Planning and Economic Affairs and Ministry of Finance. The IMMTC hands a ranked shortlist of finalists to the Inter-Ministerial Concession Committee (IMCC) which then certifies the result as having been conducted according to law. The IMCC is then responsible for performing a due diligence audit of the winning bidder before entering into negotiations on the details of a Mineral Development Agreement. The GOL's decision to announce the "winner" before conducting due diligence is not addressed by the PPCA, but it is inconsistent with international best practices. If the winner of the scored technical evaluation fails the due-diligence audit, the IMCC moves to the second-ranked bidder.

COMMENT

17. (SBU) The mining sector is a cornerstone of Liberia's economic recovery and the concessioning process is designed to promote transparency and fair play. To its credit, the MLME has consistently published status updates, evaluation results and procedural explanations at each step of the process. However, while the MLME has made public pronouncements of progress, the Ministry and the IMMTC have not adequately explained several procedural irregularities noted by the press and the bidders themselves. A formal audit of the evaluation process would be revealing and instructional, but barring a formal protest from one of the losing bidders, a review is unlikely given the pressure to move forward quickly. The IMMTC has acknowledged its inexperience, but some of the mistakes border on malfeasance.

The process is admittedly an improvement over the way concessions had been awarded in the past, but continued vigilance, oversight, and assistance is necessary to reinforce the institutions and controls of this embryonic practice.

18. (SBU) Although the U.S.-funded GEMAP advisor assists with the development of evaluation criteria and attends scoring meetings, he does not participate in the selection process nor oversee due diligence. Members of the Deputy-Minister level IMCC noted the body did not have the capacity to conduct the required due diligence of the winner(s) and intend to ask their principals to prepare a formal request for U.S.-funded assistance to hire a private, independent due diligence firm using GEMAP funding.

Booth